

EMPLOYEE BENEFITS

Agency Mission

To provide centralized budgetary and financial control over employee fringe benefits paid by the County.

Agency Summary					
Category	FY 2001 Actual	FY 2002 Adopted Budget Plan	FY 2002 Revised Budget Plan	FY 2003 Advertised Budget Plan	FY 2003 Adopted Budget Plan
Expenditures:					
Expenditures	\$132,940,432	\$135,907,928	\$137,189,636	\$149,444,372	\$147,456,413
Reimbursements	(24,362,688)	(24,392,270)	(24,680,033)	(27,910,419)	(26,785,838)
Net General Fund Fringe Benefits	\$108,577,744	\$111,515,658	\$112,509,603	\$121,533,953	\$120,670,575
Personnel Services	\$247	\$13,000	\$13,000	\$0	\$0
Operating Expenses ¹	8,503,226	3,539,158	4,635,795	7,700,347	7,698,586
Capital Equipment	10,971	0	0	0	0
Total Expenditures	\$117,092,188	\$115,067,816	\$117,158,398	\$129,234,300	\$128,369,161

¹ Includes Training, Conferences, Workers Compensation, and Other Operating Expenses.

Summary by Cost Center					
Cost Center	FY 2001 Actual	FY 2002 Adopted Budget Plan	FY 2002 Revised Budget Plan	FY 2003 Advertised Budget Plan	FY 2003 Adopted Budget Plan
Employee Benefits	\$114,361,633	\$113,427,827	\$114,965,576	\$127,606,925	\$126,743,547
Training and Conferences ¹	2,730,555	1,639,989	2,192,822	1,627,375	1,625,614
Total Expenditures	\$117,092,188	\$115,067,816	\$117,158,398	\$129,234,300	\$128,369,161

¹ Includes tuition/training expenses, personnel services expenses for a sign language instructor, other operating expenses and capital equipment.

Board of Supervisors' Adjustments

The following funding adjustments reflect all changes to the FY 2003 Advertised Budget Plan, as approved by the Board of Supervisors on April 29, 2002:

- ◆ A net decrease of \$542,269 as part of the \$28.8 million Reductions to County Agencies and Funds approved by the Board of Supervisors to allow for a two-cent real estate tax rate reduction and to provide additional funding for the Fairfax County Public School system. These reductions include:
 - Reduction in net FICA expenditures associated with position reductions and eliminations in various agencies and funds, resulting in savings of \$540,508.
 - Reduction in Employee Advisory Council operating expense funding, resulting in savings of \$1,761.
- ◆ An increase of \$379,387 for fringe benefits associated with the additional 23/23.0 SYE positions in the Fire and Rescue Department to provide dedicated staffing for the County's Hazardous Materials Response Unit.

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- ◆ A net reduction in the employer contribution to the retirement funds of \$700,496, reflecting the Board of Supervisors' decision on March 18, 2002 to implement a corridor approach, resulting in savings of \$4,647,465. Also on March 18, 2002 the Board of Supervisors approved benefit enhancements for Uniformed retirees at a cost of \$3,946,969. The net impact of these actions is a decrease of \$700,496. The employer contribution rates for each retirement fund after the adjustments are as follows: 21.65 percent for Fund 600, Uniformed Employees Retirement Trust Fund, 6.0 percent for Fund 601, County Employees' Retirement Trust Fund, and 17.3 percent for Fund 602, Police Retirement Trust Fund.

The following funding adjustments reflect all approved changes to the FY 2002 Revised Budget Plan from January 1, 2002 through April 22, 2002. Included are all adjustments made as part of the FY 2002 Third Quarter Review:

- ◆ A net increase in operating expenses of \$543,804 approved by the Board of Supervisors for increased expenditures associated with the County's contribution to Fund 501, County Insurance for Worker's Compensation.
- ◆ A net increase in fringe benefits of \$497,435. Of this amount, \$284,615 is included to fund additional fringe benefit costs associated with implementation of the Fair Labor Standards Act (FLSA) costs for the Fire and Rescue Department which are higher than originally anticipated. The remaining \$212,820 is due to fringe benefit costs associated with the impact of staffing and operating the County's Hazardous Materials Unit within the Fire and Rescue Department, 24 hours a days, seven days a week as a result of the events of September 11th and the subsequent anthrax investigations.

County Executive Proposed FY 2003 Advertised Budget Plan

Purpose

Agency 89, Employee Benefits, is a set of consolidated accounts that provide budgetary control for most employee fringe benefits paid by the County. Benefits paid for all County employees of General Fund agencies are expended from this agency, as well as most benefits paid for County employees in Non-General Fund agencies. Reimbursements are received from Non-General Fund agencies for benefits paid on behalf of their employees.

▪ Group Health Insurance

Fairfax County Government offers its employees and retirees two health insurance alternatives, with the intent of offering employees the best available options. The first is a self-insured alternative including managed care and preferred provider options. The second alternative includes vendor-administered Health Maintenance Organizations (HMOs).

It should be noted that the self-insured health insurance choices are administered through Fund 506, Health Benefits Trust Fund. For a more detailed discussion of the County's self-insured health trust fund, refer to Fund 506, in Volume 2 of the FY 2003 Advertised Budget Plan.

▪ Group Life Insurance

Life insurance coverage for employees, as approved by the Board of Supervisors beginning in FY 1999, provides group life insurance coverage at 1 times salary for all County employees funded solely through an employer contribution. If employees choose to accept life insurance coverage above this amount, they are responsible for paying the full premium based on an age-banded premium rating scale.

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- **Social Security (FICA)**

Social Security contributions represent the employer portion of salary required to meet social security and medicare tax obligations for Fairfax County employees. Social Security contributions are calculated utilizing a combined rate which includes: the portion of salary contributed for Social Security benefits and the portion of salary contributed for Medicare benefits applied to a pre-determined wage base. Any change to the wage base or the Social Security rate is announced in October/November and takes effect January 1 of the upcoming year.

- **Retirement**

Retirement expenditures represent the General Fund net contribution to the three retirement systems as set by employer contribution rates. The employer contribution rates are determined annually based on an actuarial valuation of the retirement systems. The valuation takes into account: unfunded liability; investment returns; administrative expenses; and the portion of the employer share of payroll required to fund future retirement benefits.

In addition, retirees are eligible to receive a Cost of Living Adjustment (COLA) composed of a base COLA which is the lesser of the Consumer Price Index (CPI) for the 12 months ending on the previous year's March 31, or 4.0 percent. An additional 1.0 percent COLA can be awarded at the discretion of each retirement system's Board of Trustees. This additional COLA can either be funded through an increase in the current year employer contribution rate or factored into the future year actuarial valuation to determine the net employer requirement after investment returns and other asset/liability assessments.

Virginia Retirement System (VRS)

Beginning in FY 1996, VRS funding was provided in Agency 89 for 233 Health Department employees who were converted from State to County employment. Funding reflects the County's share of payments made into VRS for the converted employees. It should be noted that VRS payments are included only for these converted employees. As they terminate service with the County or transfer to other positions within the County, funding for VRS payments will be reduced.

- **Unemployment Compensation**

Unemployment compensation payments reflect premiums paid to the State based on the actual number of former Fairfax County employees filing claims.

- **Capital Projects Reimbursements**

Capital Projects reimbursements represent the reimbursable portion of fringe benefits for County employees who charge a portion of their time to capital projects.

- **Training**

General training centrally managed by the Department of Human Resources and the Language Coordinator includes: language skills training, to recruit and retain bilingual staff to better serve foreign-born residents; the employee tuition assistance (TAP) and language tuition assistance (LTAP) reimbursement programs, and courses related to communications, supervisory development, computer-based training, team building, and career development.

Countywide initiatives include designated training approved by the County Executive and Deputy County Executives, performance measurement training, and expenses associated with the County Executive's specially designated task forces.

Technology-related training is offered in recognition of the challenges associated with maintaining skills at the same pace as technology changes. The rate of change in information technology has out-paced the County's ability to maintain proficiency. As the County's workforce becomes increasingly dependent on information technology, training support has become more essential.

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▪ Workers Compensation

Workers compensation funding reflects payments to Fund 501, County Insurance Fund, for General Fund premiums. For a more detailed discussion of the County Insurance Fund, refer to Fund 501, Volume 2 of the FY 2003 Advertised Budget Plan.

▪ Employee Assistance Program (EAP)

Provision of EAP services, including assessment, intervention, diagnosis, referral, and follow-up for workplace issues as they arise is funded through a contract with an outside vendor.

▪ Other Operating/Capital Equipment

The Operating Expenses of the Employee's Advisory Council (EAC) are funded utilizing one third of 85 percent of the actual revenues realized from vending machine sales.

FY 2003 Initiatives

Group Health Insurance

- ◆ Health Insurance premiums of \$36,327,637, an increase of \$4,466,642, or 14.0 percent, over the *FY 2002 Revised Budget Plan*.
- ◆ The increase over the *FY 2002 Revised Budget Plan* is based on nationwide health insurance cost growth trends, which result in an average health insurance premium increase of 20.0 percent for both the self-insured plan and HMOs, effective January 1, 2003 (a six-month impact in FY 2003).
- ◆ The County offers a competitive program of health care coverage for employees and retirees. After slow medical cost growth in the early to mid 1990's, spending for health care has been steadily increasing in recent years. The primary factors in the escalating cost growth are increased utilization and the rising costs of prescription drugs. It is anticipated that the cost to fund medical and prescription claims will nearly double.

Social Security (FICA)

- ◆ Social Security contributions total \$33,283,750, an increase of \$2,257,336, or 7.3 percent, over the *FY 2002 Revised Budget Plan*, primarily reflecting a change in the federally set maximum pay base against which contributions are calculated, the impact of pay for performance/merit increases for current staff, salary adjustments, and new positions.
- ◆ The Social Security wage base increases from \$80,400 to \$84,900 as of January 1, 2002 for the 6.20 percent base contribution rate. The wage base against which the 1.45 percent rate for Medicare is applied remains unlimited. The overall Social Security rate remains unchanged at 7.65 percent. The wage base and/or rate change for January 1, 2003 is not yet known; any subsequent adjustments to the Social Security wage base with a fiscal impact will be included at a quarterly review during FY 2003.

Retirement (Police, Fairfax County Employees, Uniformed, VRS)

- ◆ The FY 2003 employer contributions total \$50,979,190, an increase of \$2,206,119, or 4.5 percent, over the *FY 2002 Revised Budget Plan*. The net increase is based on the estimated salary base for current staff.

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- ◆ Based on the most recent actuarial valuation, the FY 2003 employer contribution rates are recommended to change as outlined in the table below. It should be noted that the net General Fund impact solely based on the change in rates is:

Fund	FY 2002 Employer Contribution Rates	FY 2003 Employer Contribution Rates	Basis Point Change	Net General Fund Impact
Police Officer	21.79	19.97	(1.82)	(\$1,265,695)
Fairfax Co. Employees'	6.12	6.83	0.71	1,712,142
Uniformed	18.93	18.49	(0.44)	(438,664)
TOTAL				\$7,783

- ◆ The change in the rates, along with the increase associated with the revised salary requirements, have been included in the FY 2003 Advertised Budget Plan.
- ◆ No increase to the FY 2003 Employer Contribution rate is recommended to fund the 1 percent additional COLA for retirees. If funded, the additional COLA will be factored into the actuarial valuation for the FY 2004 Employer Contribution rates.

Training

- ◆ In FY 2003, Agency 89 training totals \$1,592,150, a decrease of \$566,833 from the *FY 2002 Revised Budget Plan*, and equal to the FY 2002 Adopted Budget Plan. The decrease is based on the carryover of \$268,791 at the *FY 2001 Carryover Review*, a decrease of \$183,706 for training based on programmatic requirements, a decrease of \$54,336 due to contractual obligations, a decrease of \$50,000 for the one-time inclusion of the Pilot English-as-a-Second-Language (ESL) Program in FY 2002, and a \$10,000 decrease for language skills training based on program requirements.

Total FY 2003 training funding includes the following:

- ◆ \$610,500 is included to fund General County Training programs including the sign language interpreter, language skills training, computer based training, team building and supervisory development.
- ◆ \$451,650 is included for countywide initiatives including designated training approved by the County Executive and the Deputy County Executives, performance measurement training, and expenses associated with the County Executive's specially designated task forces.
- ◆ \$120,000 is included to continue funding Microsoft Outlook training for new employees and to provide refresher courses as needed.
- ◆ \$200,000 is included to continue funding information technology training in recognition of the challenges associated with maintaining skills at the same pace as technology changes.
- ◆ \$200,000 is included for TAP reimbursement for approximately 355 employees.
- ◆ \$10,000 is included for LTAP reimbursements for approximately 40 employees.

Worker's Compensation

- ◆ An increase of \$4,137,023 in the General Fund worker's compensation premium reflects the one-time use of available balance in Fund 501 in the FY 2002 Adopted Budget Plan. A similar balance is not available in FY 2003, and the total funding amount of \$5,792,680 is consistent with prior year actual expenditures.

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Funding Adjustments

The following funding adjustments reflect all approved changes to the FY 2002 Revised Budget Plan since passage of the FY 2002 Adopted Budget Plan. Included are all adjustments made as part of the FY 2001 Carryover Review and all other approved changes through December 31, 2001.

- ◆ An increase of \$496,510 for existing and projected contractual obligations for health insurance associated with the award of contract for the self-insured plan.
- ◆ Encumbered carryover of \$552,833.

The following chart summarizes Employee Benefit costs and associated reimbursements from Non-General Fund agencies and from capital projects.

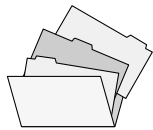
Summary of Employee Benefits Costs by Category

BENEFIT CATEGORY	FY 2001 Actual	FY 2002 Adopted	FY 2002 Revised	FY 2003 Advertised	FY 2003 Adopted	Amount Inc/(Dec)	Percent Inc/(Dec)
Fringe Benefits							
Group Health Insurance							
Expenditures	\$33,138,446	\$36,128,661	\$36,625,171	\$42,136,738	\$42,136,738	\$5,511,567	15.05%
Reimbursements	(4,823,601)	(4,764,176)	(4,764,176)	(5,809,101)	(5,809,101)	(1,044,925)	21.93%
Net Cost	\$28,314,845	\$31,364,485	\$31,860,995	\$36,327,637	\$36,327,637	\$4,466,642	14.02%
Group Life Insurance							
Expenditures	\$2,453,070	\$2,265,972	\$2,265,972	\$2,779,979	\$2,779,979	\$514,007	22.68%
Reimbursements	(816,842)	(992,721)	(992,721)	(940,344)	(940,344)	52,377	-5.28%
Net Cost	\$1,636,228	\$1,273,251	\$1,273,251	\$1,839,635	\$1,839,635	\$566,384	44.48%
FICA							
Expenditures	\$38,208,644	\$41,226,689	\$41,439,509	\$44,150,290	\$43,987,408	\$2,547,899	6.15%
Reimbursements	(9,954,867)	(10,200,275)	(10,200,275)	(10,866,540)	(10,866,540)	(666,265)	6.53%
Net Cost	\$28,253,777	\$31,026,414	\$31,239,234	\$33,283,750	\$33,120,868	\$1,881,634	6.02%
Fairfax County Employees' Retirement							
Expenditures	\$21,980,504	\$21,878,739	\$22,166,502	\$25,722,370	\$22,596,518	\$430,016	1.94%
Reimbursements	(7,611,897)	(7,369,438)	(7,657,201)	(9,254,078)	(8,129,497)	(472,296)	6.17%
Net Cost	\$14,368,607	\$14,509,301	\$14,509,301	\$16,468,292	\$14,467,021	(\$42,280)	-0.29%
Uniformed Retirement	\$18,818,351	\$18,345,081	\$18,629,696	\$18,863,437	\$22,103,027	\$3,473,331	18.64%
Police Retirement	\$17,149,427	\$14,872,861	\$14,872,861	\$14,501,171	\$12,562,356	(\$2,310,505)	-15.54%
Virginia Retirement System	\$1,061,161	\$1,045,828	\$1,045,828	\$1,146,290	\$1,146,290	\$100,462	9.61%
Unemployment Compensation	\$130,829	\$144,097	\$144,097	\$144,097	\$144,097	\$0	0.00%
Miscellaneous Reimbursements	(\$2,254)	\$0	\$0	\$0	\$0	\$0	-
Capital Project Reimbursements	(\$1,153,227)	(\$1,065,660)	(\$1,065,660)	(\$1,040,356)	(\$1,040,356)	\$25,304	-2.37%
Fringe Benefit Expenditures	\$132,940,432	\$135,907,928	\$137,189,636	\$149,444,372	\$147,456,413	\$10,266,777	7.48%
Fringe Benefit Reimbursements	(\$24,362,688)	(\$24,392,270)	(\$24,680,033)	(\$27,910,419)	(\$26,785,838)	(\$2,105,805)	8.53%
General Fund Fringe Benefits	\$108,577,744	\$111,515,658	\$112,509,603	\$121,533,953	\$120,670,575	\$8,160,972	7.25%

EMPLOYEE BENEFITS

Summary of Employee Benefits Costs by Category

BENEFIT CATEGORY	FY 2001 Actual	FY 2002 Adopted	FY 2002 Revised	FY 2003 Advertised	FY 2003 Adopted	Amount Inc/(Dec)	Percent Inc/(Dec)
Operating Expenses							
Tuition/Training	\$2,691,323	\$1,592,150	\$2,158,983	\$1,592,150	\$1,592,150	(\$566,833)	-26.25%
Other Operating	28,014	34,839	20,839	35,225	33,464	12,625	60.58%
Worker's Compensation	5,513,556	1,655,657	2,199,461	5,792,680	5,792,680	3,593,219	163.37%
Employee Assistance Program	270,580	269,512	269,512	280,292	280,292	10,780	4.00%
Total Operating Expenses	\$8,503,473	\$3,552,158	\$4,648,795	\$7,700,347	\$7,698,586	\$3,049,791	65.60%
Capital Equipment							
Countywide Task Forces	\$10,971	\$0	\$0	\$0	\$0	\$0	-
Total Capital Equipment	\$10,971	\$0	\$0	\$0	\$0	\$0	-
TOTAL EXPENDITURES	\$141,454,876	\$139,460,086	\$141,838,431	\$157,144,719	\$155,154,999	\$13,316,568	9.39%
TOTAL REIMBURSEMENTS	(\$24,362,688)	(\$24,392,270)	(\$24,680,033)	(\$27,910,419)	(\$26,785,838)	(\$2,105,805)	8.53%
NET COST TO THE COUNTY	\$117,092,188	\$115,067,816	\$117,158,398	\$129,234,300	\$128,369,161	\$11,210,763	9.57%



Employee Benefits¹

Goal

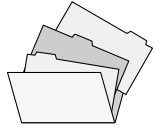
To provide centralized budgeting and financial control over employee fringe benefits paid by the County.

Cost Center Summary

Cost Center	FY 2001 Actual	FY 2002 Adopted Budget Plan	FY 2002 Revised Budget Plan	FY 2003 Advertised Budget Plan	FY 2003 Adopted Budget Plan
Total Expenditures	\$138,724,321	\$137,820,097	\$139,645,609	\$155,517,344	\$153,529,385
Less:					
Fringe Benefit					
Reimbursements	(24,362,688)	(24,392,270)	(24,680,033)	(27,910,419)	(26,785,838)
Net Cost to the County	\$114,361,633	\$113,427,827	\$114,965,576	\$127,606,925	\$126,743,547

¹ It should be noted that even though most fringe benefits are budgeted in Agency 89, Employee Benefits, primary responsibility for administering these benefits is managed by the Department of Human Resources, the Retirement Administration Agency, and the Risk Management Division. For more information regarding the objectives, goals, and performance indicators related to the functioning of the individual programs, please refer to the individual agencies/funds.

EMPLOYEE BENEFITS



Training and Conferences¹

Goal

To provide centralized accounts of the expenditures of funds for training and travel.

Cost Center Summary					
Category	FY 2001 Actual	FY 2002 Adopted Budget Plan	FY 2002 Revised Budget Plan	FY 2003 Advertised Budget Plan	FY 2003 Adopted Budget Plan
Total Expenditures	\$2,730,555	\$1,639,989	\$2,192,822	\$1,627,375	\$1,625,614

¹ It should be noted that the Training and Conferences cost center includes tuition/training expenses, personnel services expenses for a sign language instructor, other operating expenses and capital equipment.